We don't need no private cars

E-buses could become cheaper than conventional ones by 2025 on a total-cost-of-ownership basis

VANDANA GOMBAR

That Tesla is "unwelcome" in Singapore is old news. Elon Musk, the company's CEO, tweeted about it earlier this year. The government elaborated on the reasons last month.

"What Elon Musk wants to produce is a lifestyle. We are not interested in a lifestyle. We are interested in proper solutions that will address climate problems," Masagos Zulkifli, Singapore minister for environment and water resources, said in an interview to *Bloomberg News*. Singapore is expanding its public transport system further while keeping a lid on the number of private cars on its roads.

Public transport that is electric — with the electricity preferably being generated via renewable energy — would be one of the better options for city commutes. India is moving towards that.

The government approved the purchase of about 5,600 electric buses across 64 cities last month, with funding support, if they meet the "required localisation level and technical eligibility". The states of Maharashtra (725 e-buses), Uttar Pradesh (600 e-buses) and Gujarat (550 e-buses) got the largest approvals.

As battery prices decline, electric buses will get cheaper. In India, BloombergNEF expects e-buses to be cheaper than conventional ones by 2025 on a total-cost-of-ownership basis — which would include the upfront cost as well as the running cost. That would pave the way for India to become the world's second largest e-bus market, after China.

Meanwhile, commitments to all-electric municipal bus fleets are becoming more common globally. Taiwan's government approved a subsidy last month to support the transition to a fully electric fleet by 2030. Chile wants 80 per cent of its municipal fleet to be electric by 2022, and 100 per cent by 2040. In Canada, Toronto, Montreal and now British Columbia target 100 per cent electric buses by 2040. California is also committed to a zero-emission municipal fleet.

Shenzhen in China has already transitioned to a 100 per cent electric fleet.

Almost 30 cities have committed to procure only zero-emission buses after January 1, 2025, under the C40 Green and Healthy Streets Declaration. These include London, Paris, Cape Town, Auckland, Milan, Mexico City, Rio de Janeiro and Rome.

Charging infrastructure to support these fleets is springing up. Indianapolis will soon have 'wireless' charging for buses from BYD with chargers from Pennsylvania's Momentum Dynamics. Delhi Metro got the government's nod — and support — for 100 electric buses for last-mile connectivity. The company gets over half of its daytime power from solar energy, thanks to its contract with the 750 megawatts Rewa Ultra Mega Solar Plant in Madhya Pradesh.

Taxis are also gradually going electric. Energy Efficiency Services Ltd., which had finalised the purchase of 10,000 electric cars for government use, is now offering those e-vehicles to cab companies like Ola and Meru, as demand from government departments has been muted so far. The government's incentive scheme (FAME) is also tilted towards support for electric public transport.

The U.K., which has pledged to reduce net carbon emissions to zero by 2050, announced financial backing for, among other things, flying urban taxis. Uber Elevate is working on aerial ridesharing, with demonstrator flights for air taxis planned next year, and commercial flights by 2023. Until they become a reality, electric buses and cabs will have to do.

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FOUR NUMBERS

1.3 mn+ Projected global electric bus fleet by 2040

1 bn+ Number of digital hailing users globally

5 mn+ Total number of electric cars on the road

2.5 mn+ Electric car sales expected in 2019

Source: BloombergNEF

Agriculture's 'liquidity' problem

Why recent initiatives to reduce water consumption in agriculture are likely to have limited impact

RUCHIKA CHITRAVANSHI & SANJEEB MUKHERJEE

Two initiatives by states to save water in agriculture have had mixed results, suggesting gaps in the broader policy architecture of the National Democratic Alliance's water conservation efforts. One is the diversion of land towards growing maize, and the other is the promotion of drip irrigation in Uttar Pradesh and Maharashtra. Both plans are designed to encourage farmers to divert crops from water-intensive crops such as wheat, rice and sugar.

"Nearly 89 per cent of our water consumption is for agriculture. We have to address this biggest stakeholder to manage our demand for water," Minister of Jal Shakti, Gajendra Singh Shekhawat told *Business Standard*. The principal sticking point has been the question of designing incentives for farmers to comply with these new policies as well as aligning them to consumption patterns.

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

The preference for growing wheat and rice, for instance, is the result of the four-decade-old support price policy, an offshoot of the Green Revolution. This has encouraged even non-traditional areas, such as Punjab and Haryana, to growing rice — one of the heaviest water-guzzling crops. In north India, Haryana, along with Punjab and western Uttar Pradesh, produces almost 26 per cent of the country's rice production estimated to be over 100 million tonnes. Similarly, state-advised prices for sugarcane, which rise year on year, have resulted in non-traditional water-scarce areas of Maharashtra turning to sugar cultivation.

The experience of Punjab and Haryana with maize cultivation is a good example of the disconnect between policies and markets. In Haryana, at 49,000 hectares more than half the land dedicated to growing non-basmati rice has shifted to maize according to latest data for the current kharif season. In fact, maize acreage is at a five-year high in Haryana.

Punjab has also seen a rise in acreage under maize (100,000 to 160,000 hectares) and cotton (268,000 to almost 400,000 hectares) alongside a decline in non-basmati rice cultivation.

The principal factor influencing this preference for maize in Haryana has been heavy incentives. Recently, Manohar Lal Khattar's government offered farmers a subsidy of ₹2,000 per acre along with the distribution of free maize seeds to farmers, and it has also agreed to bear the insurance premium of those farmers who shift from water-guzzling crops under the *Pradhan Mantri Fasal Bima Yojana*. The state government has also assured farmers that it will buy all the produce from them.

In Punjab, a comprehensive policy to encourage a shift in cropping pattern in Punjab is expected to be announced by the end of this year.

The problem is this. Maize is not a primary consumption item in the daily diets of Indians. So though farmers may grow more of it and state agencies may buy all they produce, these moves are not aligned to the food consumption basket. "How much sweetcorn can a country consume?" one expert asked.

CULTIVATING SOLUTIONS

- Nearly 89 per cent of our water consumption is for agriculture
- Haryana, Punjab and western Uttar Pradesh produce almost 26% of India's rice production
- In Haryana, more than half the land dedicated to growing non-basmati rice has shifted to maize according to latest data for the current kharif season
- Punjab has seen a rise in acreage under maize from 100,000 to 160,000 hectares
- UP has enhanced the subsidy on drip irrigation components to up to 90% for some category of farmers
- Maharashtra has made drip irrigation compulsory for sugarcane farmers.

Indeed, the availability of cheap wheat, rice and sugar through the public distribution system (PDS) has made these commodities principal items of Indians' daily diet. No amount of conservation will solve the water crisis in agriculture as long as the contribution of water-guzzling crops remains high in Indian diets.

"The government has to look at alternative crops for people to consume. Through PDS, it successfully converted food habits. Now we need a marketing strategy. Ecologically sensitive practices have to be packaged and sold," said M V Ramachandrudu, director, Watershed Support Services and Activities Network.

The need to create markets for alternative crops also applies to drip irrigation projects. The UP government has enhanced the subsidy on drip irrigation components to up to 90 per cent for some category of farmers, and Maharashtra has made drip irrigation compulsory for sugarcane farmers.

Farmers suggest that the state needs to extend viable incentives if they are to grow, say, pulses instead of sugarcane. That apart, drip irrigation requires a steady supply of power. "There is no power supply for drip irrigation," said farmer leader Raju Shetti, head of Maharashtra's Swabhimani Shetkari Sanghatana. The issue is emotive enough for Shetti to say "we will not sit quiet if they make drip irrigation compulsory."

So what's the solution? Ramachandrudu points to a "combination of some ten solutions," not all of them water-related.

According to a 2018 study by NABARD and ICRIER, rice, wheat and sugarcane, which together are spread over 85 million ha (about 43 per cent) of total gross cropped area of 198 million ha, consume almost 80 per cent of freshwater available for irrigation in the country

"Cropping water demand has to be studied. Data does not cover areas properly, as a result of which several over-exploited regions are not demarcated," said Harshvardhan Dhawan, project manager, Arghyam, an organisation focused on sustainable water use.

Farmers feel that the push to shift to other crops is a "trial and error" approach by the Narendra Modi government that carries big risks. "Farmers will bear the brunt of this approach. It is understandable if you have a game plan...But think about it: the rate of maize will drop when everyone starts to grow it. What then?" said V M Singh, general secretary of All India Kisan Sabha.

The starting point is working with farmers rather than imposing decisions from above. The community at the ground level has to be involved in budgeting its water resources and driving the movement for sustainable agriculture. "A community resource person has to understand what it means. He has to participate. And these practices have to be transferred to generations," Dhawan said.

Drip irrigation is a case in point. Despite its manifest efficacy in water-scarce regions (such as in Gujarat), drip irrigation accounts for just 4 per cent of gross irrigated area, so knowledge of it is limited. "You have to educate your farmer. They don't know what drip irrigation is or how it is done," Singh said.

A report by the Punjab Farmers Commission called for capping the acreage under water-guzzling paddy to 4 hectares for each farmer and lowering the power subsidy on large farmers to ensure diversification towards other crops. While the report is yet to be formally accepted by the state government, farmers are wary of such changes. "A whole generation of farmers does not even know how to cultivate other crops that were being sown before 1960s when the PDS started," Ramachandrudu said.

CHINESE WHISPERS

PC's 'five' jibe

As former finance minister P Chidambaram (*pictured*) made his way out of a courtroom on Tuesday after the CBI special court remanded him in two more days of custody in the INX Media case, journalists waiting outside sought his comments. After greeting them with a namaskar, the seemingly unflappable Chidambaram quipped, "Five per cent. Do you know what 5 per cent is?" As the CBI functionaries took him away, he raised his right hand to show the five fingers, reminding people of the recently announced April-June GDP growth figure (5 per cent), the lowest in six years. The exchange was captured on video and shared widely on social media.

Another *gathbandhan*?

While the three parliamentary financial committees of estimates, public accounts, and public undertakings have been put in place, the Central government is yet to constitute the 24 department-related standing committees even after three months of the 17th Lok Sabha being constituted. Communist Party of India (Marxist) General Secretary Sitaram Yechury on Tuesday said these committees kept the government on its toes, and that Parliament could, from the next session, become a "sham", given the brute majority the government has in the Lok Sabha and a near majority in the Rajya Sabha. Yechury and other Opposition leaders are discussing the formation of a "people's platform" to raise issues relating to people's livelihood. This platform will likely include key opposition parties and will soon discuss their coming together under a common charter. Meanwhile, the Left parties are continuing with their talks of unification but will form their own "people's platform".

Jaitley & Reddy remembered

New Delhi on Tuesday had two condolence meetings, one for former finance minister Arun Jaitley and the other to remember former Union minister and senior Congress leader Jaipal Reddy. The one on Jaitley was held at the Talkatora Stadium, while that for Reddy at the Ambedkar International Centre. The two politicians passed away in August. The meeting for Jaitley was attended by Home Minister Amit Shah and other BJP leaders. The one for Reddy had leaders from across the political spectrum, including former prime minister Manmohan Singh, senior BJP leader Murli Manohar Joshi, CPI(M)'s Sitaram Yechury, Delhi Chief Minister Arvind Kejriwal, Communist Party of India chief D Raja, and former Union minister Sharad Yadav. A close friend of Reddy and colleague of Jaitley, Vice-President M Venkaiah Naidu, attended both.

INSIGHT

Lutyens Delhi: A state of mind

BIBEK DEBROY

What is Lutyens Delhi? Like Khan Market, you could say it is a state of mind, rather than a specific geographical area. If interpreted as a geographical area, there is the vaguer Lutyens Zone and more specific Lutyens Bungalow Zone (LBW), the latter a subset of the former, unless one treats the two expressions as synonymous. If not treated as synonymous, we should go back to 1912. Under the Chairmanship of George S. C. Swinton, a Delhi Town Planning Committee was set up. The other two members were John A. Brodie and Edwin L. Lutyens. The Committee submitted two reports, in 1912 and 1913. The Committee was supposed to choose a site for the new Imperial Capital. From the June 1912 report, "The amount of land required limited the choice of ground. Fifteen square miles was needed by the Military authorities for a Cantonment which was to be placed in proximity to the Imperial City. The needs of the Imperial Capital itself, though not finally decided, had been estimated to cover 10 square miles, and, besides this, land for isolation zones and future development was needed which would vary with the precise location of the new town."

The Committee examined three sites and recommended what is now LBZ. "It has already been stated that the Military authorities have informally approved of the Naraiana plan on the other side of the Ridge with its wide expanses stretching towards Palam as a good site for a cantonment. The relation of this site to such a cantonment is almost ideal. The access to the Naraiana plain at points near the centre of the site is easy to secure. The cantonment would be near but not too near the Imperial City. Amenities such as clubs, race courses, golf courses, polo, tennis, cricket, football and hockey grounds could be arranged for at a place where they could be made use of jointly by soldiers and civilians throughout the year... The site contains nothing useful or valuable which would have to disappear... Acquisition of land for this site will displace no business centre or manufacturing interests, nor interfere with the legitimate expansion of the present city into areas in which its natural extension is to be anticipated."

From the March 1913 report, "The Committee was informed that it was possible that the residence of the Government of India in the future at Delhi might extend to seven months of the year (as opposed to Shimla). The Government of India had placed their requirements, after due enquiry, at 10 square miles for the new city and 15 square miles for the cantonment. It was therefore essential to choose a large site near Delhi with ample room for expansion... The original estimate of an area of 10 square miles was arrived at in the following manner. Lists were approved by the Government of India of the number of officers, clerks and menials who would be located in the New Capital. Units of area were approved by the same body for the space for compounds. The decision of the Government was communicated as to the allowance to be made for Government House, the secretariats, residences for Ruling Chiefs, Indian nobility, gentry and plutocracy, commercial and educational requirements, administrative and municipal buildings. The total of these areas after allowance had been made for parks, expansion and roads came to 10 square miles... The areas fixed by the Orders in Council, dated 21st June 1912, which were communicated to the Committee, were compounds varying in size from six acres for a Member of Council to 3 acres for an Under Secretary or junior officer. After consultation with various officers the Committee tentatively cut down the size of these compounds to a standard varying from 3 acres for the former to 2 ½ acres for the latter. Another important change was made in the method of computation. Originally it was assumed that an official residence would be provided for every official. In working out a reduced scale of area however the Committee assumed that 1/3 of the officials of the secretary class would live in hotels or flats and that 1/2 of the Deputy Secretary and Under Secretary class would be similarly accommodated and would not require residences."

If interpreted as a geographical area, there is the vaguer Lutyens Zone and more specific Lutyens Bungalow Zone, the latter a subset of the former, unless one treats the two expressions as synonymous. If not treated as synonymous, we should go back to 1912

The final report was also submitted in March 1913 and said, "The committee esteem it as very fortunate that they have been in personal contact with most of the individual members of the newly appointed committee who will carry out the actual task of constructing Imperial Delhi; that one of their own members will work out in stone what for a year they have discussed on paper; and that so many of the officers, who have been associated with them, are re-engaged." This member was Edwin Landseer Lutyens and thus the origins of LBZ, "inaugurated" in 1932.

The author is chairman, Economic Advisory Council to the Prime Minister
View are personal

LETTERS

Highly undemocratic!

Britain's Prime Minister Boris Johnson (*pictured*) has not only sprung a surprise by proroguing the country's Parliament but also demonstrated his complete disdain for established democratic conventions and Westminster — democracy itself. As a politician who was not directly elected by the people, but by a section of conservatives, Johnson appears bent on circumventing debate about his no-deal Brexit in Parliament which by all accounts is undemocratic and amounts to blatant disregard for the will of the people. At this time the people of Britain and its political class are deeply divided; any attempt to circumvent Parliamentary debate on the issue needs to be decried and prevented at all cost. Given the disastrous consequences on Britain's economy arising out of a no-deal Brexit, Prime Minister Johnson should have called for a general election. As things stand now, the opposition should ask for a vote of confidence sooner than later.

M Jeyaram
Sholavandan

No lessons learnt

After emptying the hard saved reserves in the coffers of the Reserve Bank of India, the central government has announced the merger of 10 more public sector banks to form four mega banks. While the country is facing an unprecedented economic sickness, the GDP down to a six-year low at 5 per cent and unemployment at its peak, one wonders why the government has rushed with the merger of 10 banks which is not going to be a smooth transition for various reasons. Even the merger of all subsidiary banks into the State Bank of India has proved futile. Though the NPA levels would come down technically, percentile-wise, the quantum would remain stubborn despite the window dressing.

It appears as if the government is rushing with such moves only to divert the attention of the public from the economic crisis the country is pushed into. Moreover the government appears to have learnt no lessons from the havoc the suddenly announced demonetisation and the haphazard manner in which the GST was implemented brought on the country's economy.

Tharcius S Fernando
Chennai

Need of the hour

This refers to two front page news items "GDP shocker" and "Mega merger of PSBs" (August 31). The announcement on the consolidation and merger of public sector banks and the release of GDP growth data for the first quarter of 2019-20 on the same day may be unintentional, but the story it presents is revealing. The government must have been anticipating dismal growth figures and hence started taking action to combat slowdown in right earnest. However the opinion is sharply divided on the efficacy of the measures taken by the government in bringing about the much needed faster growth. Undoubtedly, mergers of banks is a welcome step. But then these mergers do take time to bear fruit and expecting any tangible gains in the short term may not be wise.

Whether the current slowdown in cyclical or structural or a bit of both, the lasting solution has to be structural reforms in the field of labour, land, banking etc. Any stimulus package has only a limited impact. At best, it may arrest or decelerate the slowdown temporarily given the current global situation. Putting the economy on a faster growth path requires deep structural reforms.

Sanjeev Kumar Singh
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HAMBONE

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Disinvestment blues

Purchase of BPCL by IOC would hurt the sector

The government is reportedly planning to sell its stake in state-controlled petroleum major Bharat Petroleum Corporation Ltd (BPCL) to Indian Oil Corporation Ltd (IOC) — which, like BPCL, is a state-controlled oil-marketing company. The sale will produce an oil-marketing behemoth, controlling fully two-thirds of the petrol pumps in India and over 40 per cent of India's refining capacity, as well as a majority of the aviation fuel stations. However, the government does not seem to be interested in the economies of scale. What it needs is the money it will receive from IOC in return for its 53 per cent share in BPCL. At current prices, this share would be worth about ₹40,000 crore — which would vastly help the government in its attempt to raise ₹1.05 trillion from disinvestment in the ongoing fiscal year. This deal has precedents from the recent past. In 2017-18, the Oil and Natural Gas Corporation (ONGC) acquired its fellow state-owned petrochemicals major, Hindustan Petroleum Corporation Ltd (HPCL), for a similar amount of money. Then as now, the thinking was more about achieving the disinvestment target than in increasing efficiency in the sector.

This is no way to run either a disinvestment programme or a public-sector company. It is claimed that the government is interested in making public-sector units run efficiently, but it appears that it sees them as little more than giant cash cows to fund its spending programmes. Shares of both IOC and BPCL slipped on the exchanges in response to the news of the sale, reflecting investors' views on whether this is a good idea for the companies. Decisions like this and overall poor management have resulted in significant value destruction in the public sector over the years. It should be clear that any such decision about a merger should have been taken with the companies' interests in mind, in particular what else could be done with IOC's reserves and its borrowing capacity.

IOC's debt now is more than ₹72,000 crore and its cash balance is minimal. It has planned a capital expenditure of ₹25,000 crore for this year — which may, in fact, be less than what is needed. IOC's chairman had said earlier this year that the company sought to invest ₹2 trillion over the next five to seven years. Does building up further debt in order to buy BPCL fit in with this capital investment agenda? If not, how can the government justify this purchase from the context of creating an efficient petrochemicals sector? This will clearly affect capital expenditure in the sector.

In essence, this is an attempt to use IOC's borrowing capacity — and its quasi-sovereign guarantee — to transfer funds to the exchequer instead of borrowing directly. This is similar to what it has done with the build-up of contingent liabilities in other state-owned institutions, such as the Food Corporation of India, in order to meet government expenditure. This serves neither the cause of reducing crowding out private investment nor of increasing the efficiency of the public sector. It is unfortunate that it seems to be becoming a habit.

Sorry state of policing

Inadequate infrastructure is not the only problem

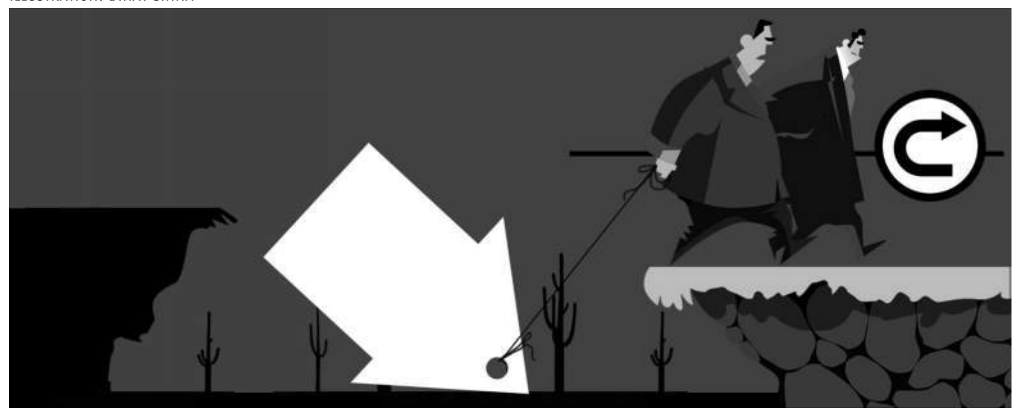
Anyone who has had the misfortune of dealing with the police in India will not be surprised by the findings in the latest report on the Status of Policing in India, produced jointly by Common Cause and the Centre for the Study of Developing Societies. This is the second such joint report and it offers a potent explanation for the low credibility of the police in public perception. The latest report, which surveys 12,000 police persons across 22 states together with their family members, reveals that the forces work at about three-fourths of their capacity and harbour frightening prejudices against women, lower castes, and minorities. The disaggregated numbers are certainly worrying in a country where rapid social transformation demands a robust and sensitised police force.

To start with, there are simply not enough people to do the job — a surprising fact, given widespread unemployment. Vacancies abound at all ranks, but those in senior ranks are higher than those in the constabulary. Across the states, 70 police stations did not have wireless devices, 214 lacked telephone access, and 24 police stations had neither. India may be a global IT champion but police stations, on average, have just six computers and states like Bihar and Assam less than one. Computers may yet be considered relatively sophisticated tools; some 240 stations did not even have vehicles. Working conditions are also abysmal. The police work, on average, 14 hours a day and one in five women in the police said she lacked a separate toilet.

The inadequacy of physical infrastructure is matched by an abject failure on the part of the state to widen the social ambit of the police force or, indeed, treat the institution in the kind of arm's-length relationship that fosters effective policing. In Uttar Pradesh and Haryana, for instance, there are as many as 60 and 53 per cent vacancies in positions reserved for Scheduled Castes, Scheduled Tribes, Other Backward Classes, and women. The study also found that the Indian police system "reeks of bias against women working in the police, with about one in four male personnel demonstrating high bias against their female colleagues". Worse, about one in four police persons in several states does not receive any kind of gender sensitisation training — an attitude that is reflected in the responses from a fifth of respondents that complaints of gender-based violence are false and motivated (which explains why most sexual assaults go unreported). Compounding these problems is the well-known suborning of the police by the political class. The frequent transfers of senior police persons who do not conform to a political leader's demands have entered the realm of popular culture.

Poor infrastructure and inadequate training and social sensitisation have all served to accentuate the foundational defects of India's police force. Unlike most functioning democracies, India's police force does not have its genesis in the concept of public service. It is the creation of the British as an instrument of enforcement and oppression — and India's leaders have chosen to embrace this aspect of policing to the exclusion of its role as a protector of citizens' — all citizens' — security, rights, and property. It should be the first line of defence in a country that prides itself on its democratic institutions. The fact that it is mostly the last tells its own story.

ILLUSTRATION: BINAY SINHA



A next generation fiscal framework

It may be time to set up a Centre-state council for expenditure, and to re-anchor bond markets

TESSELLATUM

NEELKANTH MISHRA

The current economic slowdown is exposing challenges in how the country manages itself fiscally.

First, it is well understood that a fixed annual fiscal deficit target is pro-cyclical, which means it makes a slowing economy go slower, and an accelerating economy go faster. This is already visible: One of the most worrying aspects of the GDP statistics reported last week was that nominal GDP growth hit a 17-year low of 8 per cent. This explains the very slow growth in tax collections in the past few months, and means that government spending, budgeted to grow at 21 per cent but growing only at 6 per cent currently, is likely to miss Budget targets. Recall that in the June quarter, private consumption grew just 3.1 per cent, investments grew at 4 per cent, and only government consumption grew at 8.8 per cent. As government spending slows too due to the shortfall in taxes, the economy is likely to slow down further.

A fixed target is a "first generation" fiscal rule that started being adopted in Western Europe some four decades ago. Over the decades, economists have documented its shortcomings, particularly given the natural inaccuracy of any growth forecast on which fiscal targets are based. Second-generation fiscal rules instead set medium-term targets, and provide escape clauses.

Even in India, when setting up the FRBM (Fiscal Responsibility and Budget Management Act) Review Committee in 2016, the then Finance Minister had stated that "there is a new school of thought, that instead of fixed numbers as fiscal deficit targets, it may be better to have a fiscal deficit range as a target..." The Committee also documented and explained this disadvantage of headline fiscal balance rules in its report. Its choice of a debt-to-GDP target as the medium-term fiscal anchor, since adopted by the government (40 per cent of GDP for the Centre, and 20 per cent of GDP for the states), sought to provide some flexibility to the government in navigating through economic cycles. However, it then prescribed a fiscal glide path to the Centre so as to meet the medium-term target by 2023.

The growth linked "escape clause", which gives half a per cent of GDP of additional fiscal deficit buffer, would only get triggered with a "sharp decline in real output growth of at least 3 percentage points below the average for the previous four quarters". The 5 per cent growth in the first quarter is a full 3 percentage points slower than the 8 per cent reported in the first quarter last year, but is only 1.8 percentage points slower than the average of the last four quarters, not enough to trigger the clause. The government, therefore, lacks wriggle-room to stem the slowdown fiscally.

A related issue is the anchoring of the bond market: The government appears to be apprehensive that at the first sign of fiscal slippage, even if for a year, the market would drive up yields on government bonds sharply, pushing up borrowing costs for the private sector, and thus undoing the demand impetus that the government's fiscal stimulus would give. The term premium (that is, the difference between the RBI set repo rate and the yield on the 10-year government bond) is already elevated: At around 110 basis points, it is much above the average of about 60.

Many market observers say this reflects fiscal stress and excessive off-budget borrowing by the government, but to us this appears as post-facto justification. Very few bond markets are as sensitive to a few tens of basis points of fiscal slippage as the Indian market is; even markets which have not been distorted by steady central bank purchases. If demand-supply were driving term premiums up, they would have fallen a while back: RBI's annual bond purchases have been significantly higher than what anyone expected a year back. In our view, the term premium is likely to correct when consensus views on growth (was at 6.9 per cent for FY20; now anything above 6 per cent looks unlikely) and inflation do (consensus forecast a year out is 4.5 per cent, well above Monetary Policy Committee's 3.6 per cent). But their anchor to a fixed target needs to change.

A third issue is the over-dependence on the Union government to manage growth through fiscal means, particularly given the limited space it has for discretionary spending once the fiscal deficit ratio is fixed. The shortfall in taxes hurts the states too, most obviously because 42 per cent of all central taxes go directly to the states. However, there is minimal direct impact of weaker GST collections, given the central government guarantee of 14 per cent tax revenue growth for the first five years of GST. All GST shortfalls, therefore, would be felt by the Centre, and the states are in a relatively better position. The most ominous detail from the GST data released over the weekend was the ₹28,000 crore compensation paid to the states for the months of June and July: annualised, this would mean nearly ₹1.7 trillion, well above the ₹1.1 trillion expected as compensation cess collection.

It is worth reiterating that now state governments together spend 90 per cent more than the Centre. Dr Bibek Debroy, chairman of the PM's Economic Advisory Council, has put forward an idea whose time may have come: A body where the Centre and the states get together to plan public expenditure. There has long been criticism of the large number of centrally sponsored schemes, where the Centre initiates projects in areas that are constitutionally in the State List (like rural housing and health), and then seeks part funding from state governments. Not only would such a forum allow the Centre and the states to collaborate better on longer-term targets (education in some states, health in some other, skilling or roads in a third, for example), but also, at a time of slowing growth, increase the number of available fiscal options to kick-start the economy or, at least, prevent the slowdown from getting worse.

One of the reasons policy changes become more likely during crises is that at such times inefficiencies in the way we work show up much more clearly than they would in normal times. Such periods can, therefore, be seen as opportunities to undertake some structural changes that prepare the economy for the next leg of growth.

The writer is co-head of Asia Pacific Strategy and India Strategist for Credit Suisse

Does inequality matter when poverty is falling?

PRANAB BARDHAN

There is widespread concern about increasing or high economic inequality in many countries, both rich and poor. At a global level, according to the World Inequality Report 2018, the richest 1 per cent in the world reaped 27 per cent of the growth in world income between 1980 and 2016, while the bottom 50 per cent of the population got only 12 per cent. Over roughly the same period, however, absolute poverty by standard measures has generally been on the decline in most countries. By the widely-used World Bank estimates, in 2015 only about 10 per cent of the world population lived below its common, admittedly rather austere, poverty line of $1.90 per capita per day (at 2011 purchasing power parity), compared to 36 per cent in 1990. This decline is, by and large, valid even if one uses broader measures of poverty that take into account some non-income indicators (like deprivations in health and education) for the countries for which such data are available.

If absolute poverty is declining, while measures of relative inequality (of income or wealth) show a significant rise (or remain very high), this implies that the conditions of the poor may be improving, but those for the rich may be improving much more. But if people are less poor than before, should we be concerned about high or rising inequality, about how much better-off the rich are, and, if so, why? This is an important question on which more clarity is needed, as quite often when people tell you why they dislike inequality, many of the examples they cite are really about their aversion to the stark poverty around them.

To moral and political philosophers steeped in the theory of justice, inequality in society may simply be ethically distasteful. To utilitarians, increasing income inequality, controlling for the average income, reduces social welfare simply because the same dollar has lower marginal utility for the rich than for the poor. Many non-utilitarian philosophers also find some kinds of inequality simply unconscionable. There is, however, an important discussion among philosophers (and some economists) about the kinds of inequality that are morally permissible. The latter, for example, may pertain to cases where between two individuals facing similar life chances one may end up richer than the other simply because the former is more ambitious or hard-working than the latter. This brings to the fore a distinction between inequality of opportunity and that of outcome. As philosophers, public commentators and the general public increasingly find the issue of personal responsibility in one's choice or life decision quite socially salient, one can make a clear distinction between opportunity-egalitarianism—seeking to offset only those inequalities that are due to circumstances beyond an individual's control (like the characteristics of a family or neighbourhood a child is born in or its biological characteristics)— and outcome-egalitarianism that, often on grounds of social norms, seeks to offset even those differences in outcome that are due to an individual's own choice (say, in blowing away one's opportunity by indulging in drugs or alcohol) or initiative (or lack of it).

Many economists take a much narrower approach on inequality, even when they are sensitive to issues of absolute poverty. They find relative inequality acceptable if it does not harm economic performance or efficiency; in fact, they are prepared to tolerate even a large dose of inequality if it improves the aggregate economic performance— the presumption is that the larger surplus keeps open the possibility of redistributing some to the poor (a possibility that is infrequently realised in actual politics), thus making everyone better-off. The main purpose of this essay is to indicate why we may have sufficient reasons to worry about inequality even from this narrow economist's point of view.

Most undergraduate economics textbooks to this day talk about an equality-efficiency trade-off. This is mainly about the disincentive effects of attempts to redistribute income from the rich to the poor. Progressive taxes to fund such redistribution may discourage work effort, investment and risk-taking, and the consequent shrinking of the pie may leave the poor worse-off compared to the case of a larger pie but with the same share as before. Economists have compared such redistributive transfers with carrying water in "leaky buckets".

In general, it is argued, allowing inequality is a way of encouraging entrepreneurs and other fortune-seekers, whose enterprise, new ideas and innovations enrich them but also improve the conditions of the whole economy from which others can benefit. The wealthy are more willing and able to take risks with new ideas, and hence redistribution may reduce productive risk-taking if it transfers wealth from less to more risk-averse agents (unless there is a public risk insurance policy to cover it so that even people with limited means are induced to take more risks). It is also the case that the rich save more than the poor, so inequality can generate more savings and investible funds, which can expand the productive base of society. Such expansion or growth may eventually trickle down to the poor (though economists on the opposite side usually argue that such trickle-down is not enough). Both sides, however, can agree that high inequality may weaken the poverty-reducing powers of the growth rate.

(The second part will appear on Thursday)

The writer is professor of Graduate School at University of California, Berkeley. His most recent two books are Awakening Giants, Feet of Clay: Assessing the Economic Rise of China and India, and Globalisation, Democracy and Corruption: An Indian Perspective; *the article was first published in the international blog 3 Quarks Daily*

Hindutva's multifaceted founder

BOOK REVIEW

PRAVEEN CHAKRAVARTY

1907: "*Gandhi is a true desh bhakt*" — Veer Savarkar about Mahatma Gandhi
1922: "*Savarkar's talent should be utilised for public welfare. He is brave. He is clever. He is a patriot. He is a revolutionary*" — Gandhi about Savarkar
1928: "*Criticism of non-violence is not a criticism of Gandhiji. We will fight shoulder-to-shoulder with Mahatmaji in the national struggle*" — Savarkar about Gandhi
1944: "*I urge Hindus to not contribute a pie to the Kasturba Gandhi Memorial Trust. Suffering of Kasturba was insignificant relatively*" — Savarkar after the death of Kasturba Gandhi
1948: "*So, you have come to arrest me for Gandhi's murder*" — Savarkar to cops

Such a steep deterioration in the complex relationship between Gandhi and Savarkar over a 40-year period is richly captured in Vaibhav Purandare's book *Savarkar*. This is just one example, but perhaps the most important example of the intricate presentation of one of India's most controversial historical figures.

In the present political climate of weaponisation of history for electoral and legislative purposes, Mr Purandare's book about a person amid a raging public debate, offers a sense of meticulous calm. The book is extraordinarily well researched, contains a wide swathe of events in Savarkar's life and is careful to present only evidentiary facts and not stray into opinions.

My interest in the book was piqued by a claim Mr Purandare made in an article in the *Hindustan Times* that the present Modi government's governance paradigm can be easily explained through the lens of the Savarkar doctrine. After reading the book, I find some merit to that claim. From the idea of a "New India" (*Abinav Bharat*) to *ghar wapsi* to a "One nation, One rule" framework, there appears to be much in common between the ruling party's ideals and Savarkar's, including spiteful behaviour towards their opposition.

That Savarkar is a complex personality was well known, but the details were not, a gap this book bridges beautifully. For example, it explains how P K Atre, who bestowed Savarkar with the title "Veer", turned against him by the 1940s, reflecting the dramatic twists and turns in Savarkar's life. The book paints a vivid description of the constantly changing facets of Savarkar's personality, embellished with rich anecdotes such as the gradual souring of ties even with his own Hindu Mahasabha successor Shyama Prasad Mookherjee and Rashtriya Swayamsevak Sangh chief M S Golwalkar.

The book also explains the nuanced distinction that Savarkar made between Hindutva and Hinduism. The man who coined the term Hindutva ostensibly abhorred Hindu rituals, wanted his wife to remarry if he died in the freedom struggle, wanted people to eat whatever they desired and ensured there was no funeral pyre or chanting of *mantras* after his death. Yet, he apparently detested the idea of making Muslims feel secure in a Hindu-majority land, called for the purification of Hindi by purging all Urdu and non-Sanskrit words, deemed it appropriate for India to adopt Nazi Germany's methods to forge the unity of Hindu India and so on. The seemingly staggering contradiction in Savarkar's personalities described vividly in the book leaves the reader yearning for more.

On the sensitive subject of Savarkar's role in the assassination of Gandhi, the book presents much detail and leaves it to the reader to draw inferences. It touches on all the circumstantial evidence presented in the trial. Yet, the curious case of a man who went from genuine respect for Gandhi to virulent critic to being implicated in his murder leaves the reader searching for more answers. The book quotes Sardar Patel as saying Savarkar's criminal culpability in Gandhi's murder was different from his moral culpability, insinuating that Savarkar perhaps should be at least morally accountable.

The book delves deep into the other controversial subject, of Savarkar's pleas for amnesty from his prison in the Andamans. As with any historical incident, it needs to be judged in the context of the times. The book presents graphic details of Savarkar's harsh treatment in prison and how he fought suicidal tendencies. He believed strongly that the national struggle for independence needed him to be alive and free, even if it meant his abstinence from direct active participation. The book argues that while it is true that Savarkar promised cooperation with the British in return for his release from prison, it also makes it clear that Savarkar wanted India to determine her own destiny.

For those interested in revisionist history, the book offers ample scope for indulgence. One such example is a proposed meeting between Jinnah and Savarkar to discuss an amalgamation of all parties opposed to the Congress party. Jinnah proposed that the meeting could take place at his Malabar Hill bungalow, since he was the senior of the two. Savarkar insisted that Jinnah visit him at his Shivaji Park residence. The meeting never took place over this silly quandary, leaving one to wonder what if.... There are many such examples.

Overall, Mr Purandare's book is a scrupulous effort to portray the multi-dimensional personality of one of India's more colourfully controversial leaders.

SAVARKAR : The True Story of The Father of Hindutva
Vaibhav Purandare
Juggernaut, ₹599, 360 pages